

CALIFORNIA EMPLOYER

Third Quarter 1999

EDD introduces toll-free phone numbers for UI services

Customers will soon be able to contact the Employment Development Department's (EDD) Unemployment Insurance (UI) services through four new statewide, toll-free 800 telephone numbers.

Customers will be able to call separate numbers for services in English or Spanish. Services will also be offered in two new languages, Cantonese and Vietnamese, through two new 800 numbers. Our UI publications are also being translated into Cantonese and Vietnamese.

These changes reflect EDD's continued commitment to provide customers with easy and convenient access to our services. Customers located outside of California can continue to use the existing toll-free

number, 1-800-250-3913, while deaf and hard-of-hearing customers can continue to call the current TTY number, 1-800-815-9387.

As local telephone directories are updated, the new 800 numbers will be included in the Government section of directories under "State of California, Employment Development Department, Unemployment Insurance." In addition, the numbers will be available on EDD's website at www.edd.ca.gov.

Even though some menu options will change, employers can continue to access the employer menu by pressing "3" at the main menu. Employers will be able to reach an EDD representative between 8 a.m. and 5 p.m., Monday

through Friday, while recorded general information will still be available 24 hours a day.

Updated EDD publications with the new 800 numbers should be available by October 1999. Publications may be ordered by calling our 24-hour automated system at (916) 322-2835. Customers are also encouraged to visit EDD's website, where various forms and program information are located. Some of these forms can be downloaded.

(Reminder: Employers are required to provide the UI booklet, *For Your Benefit-California's Programs for the Unemployed*, DE 2320, to individuals when they become unemployed.)



Year 2000 update to help you prepare for the year ahead

If you have questions about EDD's reporting and filing changes for the Year 2000, please visit our Internet site at www.edd.ca.gov/taxy2k.htm. This Year 2000 statement site is periodically updated with the most current information.

We do not anticipate any date format changes for the following programs:

- Payroll Tax Deposit coupons (DE 88)
- Electronic Funds Transfer (EFT)
- New Employee Registry (NER)
- Telefile
- Alternate forms
- Electronic Data Interchange (EDI)

Magnetic Media does have a new Year 2000 format for *Quarterly Wage and Withholding Reports* (DE 6) submitted on tape and diskette.

If you currently file by magnetic media, you are not required to change to the new format, but you are encouraged to do so because the old format will eventually be phased out.



If you have not received a *Magnetic Media Reporting Requirements for 1999, Quarterly Wage & Withholding Reporting Program* booklet (DE 8300)—which includes the Year 2000 format changes—please contact our Magnetic Media Coordinator at (916) 654-6845. You can also download the booklet from our Internet site at www.edd.ca.gov/taxform.htm#Publications.

If you have questions about Year 2000 reporting and filing changes, please visit our Internet site, or write or fax us at:

EDD Tax Branch
Year 2000 Project Team, MIC 93
P.O. Box 826880
Sacramento, CA 94280-0001
Fax: (916) 654-6969

(This is a Year 2000 Readiness Disclosure Document.)

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Unexpected tax liabilities can result from misclassifications

Misunderstandings about the status of workers and payments can result in unexpected tax liabilities for employers. Workers treated as independent contractors may actually be employees and payments to individuals for services may be wages. If you have the right to direct and control a worker's services, the worker is your employee. Control over the manner in which the services are performed is applicable even if you do not exercise the right. Some examples of control include: rules, instructions, and/or review of work.

Some types of workers, such as unlicensed construction workers, may be employees by statute even if you do not have the right to direct and control the workers. If you have questions on the status of your workers or your payroll tax reporting requirements, please contact your local Employment Tax Customer Service Office or visit our website at www.edd.ca.gov. For a determination on the status of a worker or a class of workers, you can request a

ruling letter from EDD by submitting a *Determination of Employment Work Status* form (DE 1870). You may also do a self-analysis of your workers' status by completing an *Employment Determination Guide* form (DE 38).

For information on what may trigger an EDD employment tax audit, please see the second quarter 1999 *California Employer* newsletter, page 3 (available on our website under *Forms and Publications*).

TYPES OF WORKERS AND THEIR STATUS

■ **Temporary and Part-time Workers** – Individuals who work on a part-time or temporary basis are employees and payments to them for services, even if paid in cash, should be treated as wages.

■ **Construction workers** – An unlicensed construction worker may be your employee and payments for services may be wages. When the construction work being performed requires a contractor's license, the worker must possess an active contractor's license for the specific type of work being performed to be an independent contractor.

■ **Consultants** – Individuals who perform consultant work should not automatically be classified as independent contractors. Consultants who are not in a distinct business of their own may be considered employees. Two examples are computer programmers and engineers.

■ **Salespeople** – Salespeople may be your employees if the services performed are an integral part of your business. Salespeople who are required to attend meetings, follow leads, and/or are reimbursed for expenses are examples of salespeople who should be classified as employees.



Want to eliminate the need for paper forms? Try Telefile!

Are you still using paper to file your *Quarterly Wage and Withholding Report* (DE 6) and to make payments with *Payroll Tax Deposit* coupons (DE 88)?



If you're an employer with a small number of employees, you can avoid the "paper race" and the effort

to search for postage stamps, envelopes, checks, and forms by using EDD's new Telefile system.

With Telefile, you can both report wage information and make tax payments by telephone at your convenience. The Telefile system is available through a toll-free number that operates 24 hours a day, 7 days a week. It's easy to use and filing can be accomplished in a few minutes. Telefile will even calculate taxes due based on the information you provide.

Through this system, employers of household workers who are authorized as annual payers can also submit their

Quarterly Report of Wages & Withholding for Employers of Household Workers (DE 3BHW) and *Annual Payroll Tax Return for Employer of Household Workers* (DE 3HW). Sign up for our Telefile payment option today and simplify your payments by contacting our Telefile Customer Service at 1-800-796-3524, Monday through Friday, 8 a.m. to 5 p.m.

Deposit requirements for 2000 unchanged

For calendar year 2000, the California Personal Income Tax (PIT) deposit threshold will remain at \$400, unchanged from 1999.

Employers who meet federal deposit requirements and also meet the state PIT threshold of \$400 must remit both State Disability Insurance and PIT withholdings to EDD with a *Payroll Tax Deposit* coupon (DE 88). State deposits

are generally due at the same time as federal deposits. The PIT threshold for employers who deposit quarterly is \$350.

For more information, please refer to your 1999 *California Employer's Guide* (DE 44), pages 32-41; visit our website at www.edd.ca.gov; or contact your local Employment Tax Customer Service Office.

Assistance hours extended for filing months

When you call EDD for help with your payroll taxes, assistance is available from 7:30 a.m. until 5:30 p.m., Monday through Friday. To better meet your tax filing needs, we extend these hours during the last two weeks of each payroll tax filing month—January, April, July, and October. During the last two weeks of these months, assistance is available from 7 a.m. until 6 p.m., Monday through Friday.

How to ensure that your payments are properly allocated

All payroll tax payments (except statement payments) should be made with a *Payroll Tax Deposit* coupon (DE 88) so that EDD can properly allocate your payment to the appropriate payroll tax funds.

Please do not send your payments with your *Quarterly Wage and Withholding Report* (DE 6) or *Annual Reconciliation Statement* (DE 7). If you owe more taxes after completing your DE 6 or DE 7, please send a DE 88 coupon and payment separate from the DE 6 or DE 7 for the additional taxes due.

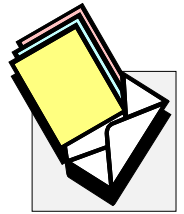
Also, please be sure to send your DE 88 and payment in the envelopes sent with your DE 88 coupons. Don't hold up your payment if you run out of or misplace your envelopes, just send your DE 88 and payment to the address printed on the DE 88 coupon. If you need DE 88 envelopes, you may request more by contacting your local Employment Tax Customer Service Office (ETCSO).

If you find that you have withheld too much for State Disability Insurance (SDI) from one or more of your employees, you need to refund the amount(s)

overwithheld to your employee(s) as soon as the amount(s) is identified.

For additional information on underpaid and overpaid taxes, please see your 1999 *California Employer's Guide* (DE 44), pages 41-51. To request a guide or to get more information, please contact your local ETCSO. The

California Employer's Guide may also be downloaded from our Internet site at www.edd.ca.gov.



Many agencies provide help for small businesses at Tax Days

In partnership with local, state, and federal agencies, EDD continues cosponsoring Small Business Tax Days and Small Business Fairs.

These all-day educational conferences are designed to assist small business owners by providing an opportunity to access many governmental agencies at a single location.



At these events, you can obtain publications, get answers to your tax questions, or take classes from

tax experts. Following are our upcoming conferences:

■ ORANGE COUNTY

(*Small Business Tax Day*)

California State University, Fullerton
September 24, 8:30 a.m. - 3:30 p.m.
Call: (949) 461-5754
Fax: (949) 461-5757

■ LOS ANGELES (*Small Business Fair*)

West Los Angeles College
October 1, 8:30 a.m. - 3:30 p.m.
Call: (310) 342-1080
Fax: (310) 342-1063

■ SAN DIEGO (*Small Business Tax Information Day*)

Point Loma Nazarene University
October 16, 9 a.m. - 3 p.m.
Call: (760) 744-1330, ext. 410
Fax: (760) 744-8057

■ VAN NUYS (*Small Business Fair*)

Airtel Plaza Hotel
November 4, 9 a.m. - 3 p.m.
Call: (818) 901-5690
Fax: (818) 901-5252

There is no cost to participate in these conferences, but we recommend that you make reservations if you plan to attend a workshop.

Wages paid to students may be excluded from certain taxes

Did you know that if you hire a student who is participating in a work experience program, the wages paid for those services may be excluded from Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI)?

A student's wages are excluded if all of the following conditions are met:

- The student performing the services is under the age of 22.
- The student is enrolled at a nonprofit or public educational institution.
- The educational institution maintains a regular faculty and curriculum, and has a regularly organized body of students in attendance in a place where its educational activities are carried on.

- The student is in a full-time program and receiving credit at that institution, which combines academic instruction with work experience.
- The institution certifies to you that the work experience is an integral part of the academic program.
- The work experience program offered by the academic institution is available to various businesses, and was not established solely for one employer or one group of employers.

Even though a student's wages may be excluded for UI, ETT, and SDI purposes, the wages are still subject to California Personal Income Tax (PIT) withholding and should be included as PIT wages. The PIT withholding amount will be based on the student's completed W-4 or DE 4 form. Contact your local Employment Tax Customer Service Office for more information.



Keep penalties out of your payment equation

Even though EDD does not reconcile your payroll taxes until the end of the year, there are penalties and interest that apply for not paying your payroll taxes timely. Penalties start at 10 percent of the underpaid payroll taxes. To determine when your payroll taxes

are due and to review other deposit requirements, please see the *California Employer's Guide* (DE 44), pages 32-41, or contact your local Employment Tax Customer Service Office. The guide may also be downloaded from our Internet site at www.edd.ca.gov.

Nonprofit employers should avoid this common reporting error

Nonprofit employers often do not report Unemployment Insurance (UI) subject wages to EDD because they mistakenly believe they are not subject to



California's UI program. Generally, wages paid by religious, charitable, educational, and

other nonprofit organizations are subject to UI, State Disability Insurance (SDI), and California Personal Income Tax (PIT) withholding.

Nonprofit organizations exempt under Internal Revenue Code, Section 501(c)(3) may opt to finance their UI by the experience rating method or the reimbursable method. (For details, request *Nonprofit and/or Public Entities* information sheet, DE 231NP.)

Experience Rating or "Tax Rate"

Method – Your liability is limited to your calculated contribution rate based

on the first \$7,000 of wages paid to each employee per year. (For details, request *California System of Experience Rating* information sheet, DE 231Z.)

Reimbursable or "Cost of Benefits"

Method – You reimburse the UI Fund on a dollar-for-dollar basis for all benefits paid to your former employees. Nonprofit employers who elect this method are exempt from Employment Training Tax. Before selecting this method, consider that it can be very costly if you have a high employee turnover or if many former employees draw UI benefits for long periods of time. In addition, your UI tax liability under the reimbursable method is unlimited and you can be liable for approximately three years after terminating the election. (For details, request *Potential Liability for UI Benefits When Electing the Reimbursable Method of Financing* information sheet, DE 1378F.)

Under both methods, you must still report wages subject to UI taxes on the *Quarterly Wage and Withholding Report* (DE 6) and the *Annual Reconciliation Statement* (DE 7). For more information, call our Reimbursable Accounting Group at (916) 653-5846. The forms noted here can be downloaded from our website at www.edd.ca.gov/taxform.htm, or call your nearest Employment Tax Customer Service Office for a copy.

Program allows two new income tax credits

If you are bidding on a contract or subcontract to manufacture property for use in a Joint Strike Fighter, you may be eligible for one of two new state income tax credits. The Fighter is the next generation multi-role stealth aircraft under development by Lockheed Martin and Boeing for the U.S. military. The two credits (a hiring wage credit and a property credit) are available through the Franchise Tax Board (FTB), not EDD. Cost savings must be "passed through" to the prime contractor and ultimately the customer, thus reducing the cost of doing the work in the state. For more information, contact FTB at (916) 845-3464.

No-cost tax seminars customized for your needs

We offer no-cost informational seminars to help you understand and comply with California employment tax laws. Seminars can be customized to meet your organization's specific needs. For details, visit our website at www.edd.ca.gov/txsem.htm, or call:

- Central Valley, North (916) 464-3502
- Central Valley, South (805) 335-7329

- Central and North Coast (408) 277-9400
- San Luis Obispo, Santa Barbara, and Ventura Counties (805) 677-2785
- Orange County and Inland Empire (714) 288-2619
- Los Angeles County (562) 904-1005
- Imperial and San Diego Counties (619) 516-1944

Employment Tax Information

General Information, Call the nearest Address Changes, Employment or Requests for Tax Customer Service Office Employment Tax Forms (25 copies or less)

Forms Requests (more than 25 copies) (916) 322-2835 Fax: (916) 928-5910

Register for an EDD Employer Account # (916) 654-7041 Fax: (916) 654-9211

Electronic Funds Transfer (916) 654-9130 Fax: (916) 654-7441

Magnetic Media Reporting (916) 654-6845 Fax: (916) 654-7441

Alternate Forms Coordinator (916) 255-0649 Fax: (916) 255-0629

Telefile 1-800-796-3524

Electronic Data Interchange (916) 255-1649

Tax Rates & Benefit Charge Information (916) 653-7795

New Employee Registry (916) 657-0529 Fax: (916) 653-5214

Offers in Compromise (916) 464-2726 Fax: (916) 464-2121

Underground Economy Oper. Ctr. (916) 464-1075, Ext. 299 Fax: (916) 464-1020

Office of the Taxpayer Rights Advocate (916) 654-8957 Fax: (916) 654-6969

EDD's Website: www.edd.ca.gov

California Employer

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